

Message Text

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PAGE 01 MOSCOW 10486 031826Z

16

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SAJ-01 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15

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C O N F I D E N T I A L MOSCOW 10486

USDOC FOR BEWT/BOWDEN

E.O. 11652: GDS

TAGS: ETRD, UR, US

SUBJECT: APPARENT DELAYS IN COMMERCIAL NEGOTIATIONS OF KAISER
ALUMINUM PROJECT

REF: MOSCOW 8885

1. KAISER INDUSTRIES OFFICIAL INFORMED COMMATT JULY 1
THAT "COMMERCIAL NEGOTIATIONS" ON KAISER'S ALUMINUM PROJECT
WOULD NOT BEGIN DURING FIRST PART OF JULY AS REPORTED REFTEL.
INITIATIVE TO POSTPONE BEGINNING OF THESE NEGOTIATIONS CAME FROM
SOVIET SIDE, ACCORDING TO KAISER OFFICIAL. SOVIETS EXPLAINED
THAT THEY SIMPLY WERE NOT READY AT THIS POINT TO BEGIN TALKS.
ALTHOUGH SOVIETS SUGGESTED THAT TALKS MIGHT BEGIN IN LATE JULY,
KAISER OFFICIAL REGARDS SEPTEMBER (AFTER AUGUST HOLIDAYS) AS MORE
REALISTIC TARGET.

2. ALTHOUGH OFFICIAL SOVIET REQUEST THAT KAISER TEAM DELAY ARRIVAL
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PAGE 02 MOSCOW 10486 031826Z

BEYOND SCHEDULED DATE OF JULY 5 GAVE NO REASON FOR POSTPONEMENT,

STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY OFFICIAL (S. GLEBOV) DIRECTLY INVOLVED IN KAISER NEGOTIATIONS INFORMED KAISER OFFICIAL THAT DELAYS IN NEGOTIATIONS WITH PECHINEY WERE BASICALLY RESPONSIBLE. ACCORDING TO GLEBOV, MINISTRY OF FOREIGN TRADE WAS NOT ABLE TO CONDUCT BOTH NEGOTIATIONS SIMULTANEOUSLY. COMMERCIAL NEGOTIATIONS ON PECHINEY PROJECT HAVE NOT YET BEGUN, BUT MINISTRY OF FOREIGN TRADE REPORTEDLY WISHES TO COMPLETE THESE NEGOTIATIONS FIRST AND THEN MOVE ON TOKAISER PROJECT. BASIC REASON FOR THIS SCHEDULING, AGAIN ACCORDING TO GLEBOV, IS THAT MINISTRY OF FOREIGN TRADE WISHES TO TAKE ADVANTAGE OF OUTSTANDING FRENCH CREDITS FOR FINANCING PECHINEY PROJECT AND THESE CREDITS LAPSE, IF NOT OBLIGATED, ON DECEMBER 31, 1974. INTERESTINGLY, GLEBOV TOLD KAISER OFFICIAL THAT STATE COMMITTEE HAD URGED FOREIGN TRADE MINISTRY TO CONDUCT BOTH SETS OF NEGOTIATIONS CONCURRENTLY. ALTHOUGH PROJECTS ARE NOT COMPETITIVE, FROM SOVIET POINT OF VIEW, GLEBOV FRANKLY ADMITTED THAT COMMERCIAL TERMS OFFERED BY PECHINEY AND KAISER WERE COMPETITIVE. KAISER UNDERSTANDS THAT SOVIETS PLAN TO OFFER PECHINEY DISCOUNT OF 12.5 PERCENT BELOW WORLD MARKET PRICE AS VALUE OF ALUMINUM INGOT WHICH PECHINEY TO RECEIVE IN PAYMENT FOR EQUIPMENT, SERVICES AND TECHNOLOGY PROVIDED. EXTENT OF THIS DISCOUNT, AS WELL AS WHICH BASE PRICE TO BE USED (I.E. "WORLD MARKET PRICE" OR LOWER TRANSACTION PRICE AT WHICH MOST LARGE SALES MADE), WILL DOUBTLESS BE MAJOR ISSUES IN BOTH PECHINEY AND KAISER NEGOTIATIONS. STOESSEL

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